

**DESCRIPTIVE STATISTICS  
FOR TAX INCENTIVE PROGRAMS**

**2010 Report Covering  
Activity During Calendar Year 2009**

A Report to the Legislature

Washington State Department of Revenue  
Cindi L. Holmstrom, Director

September 1, 2010



STATE OF WASHINGTON  
DEPARTMENT OF REVENUE  
OFFICE OF THE DIRECTOR

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August 30, 2010

**TO:** The Honorable Margarita Prentice  
Chair, Senate Ways and Means Committee

The Honorable Ross Hunter  
Chair, House Finance Committee

**FROM:** Cindi L. Holmstrom, Director

**SUBJECT:** DESCRIPTIVE STATISTICS 2010

This report summarizes information from surveys completed by taxpayers who participated in ten tax incentive programs during calendar year 2009. The report is prepared in accordance with various incentive statutes intended to provide accountability and a means to evaluate program effectiveness. Statutes require the Department to summarize survey information in descriptive statistics; further analysis of program effectiveness is assigned to the Legislature and to the Department in future years. It should be noted that the comprehensive changes to taxpayer accountability reporting contained in SHB 3066 this year do not affect this report; these changes will first impact the reporting of tax incentives taken during calendar year 2010 and will be reflected in our report on October 1, 2011.

B&O and sales tax incentives resulted in reduced state and local tax revenues of \$236 million in 2009. Most of this was attributable to the sales tax deferral/exemption for high technology firms with an impact of \$109.8 million. The deferral/exemption for rural manufacturers totaled \$80.7 million in reduced state and local sales tax receipts.

For 2009 there were 1,266 taxpayers who participated in these incentive programs; these firms reported a total employment of 278,094. Participants and their employees may be counted more than once when they took part in multiple programs.

The Department checked surveys for reasonableness and verified responses with tax records or with taxpayers over the phone to the extent possible. The Department has implemented actions to make it easier for taxpayers to fill out the survey and improve the quality of their responses.

The Honorable Margarita Prentice  
The Honorable Ross Hunter  
August 30, 2010  
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These include certain populated answers on the survey such as registration number and amount of incentive reported in tax records and the incorporation of logic checks in the online survey to verify for reasonableness. Also, one of the provisions of SHB 3066 allowed taxpayers an additional month to submit their surveys; this will be effective for next year's survey.

The taxpayer survey was administered by our Special Programs Division and the report was compiled by the Research Division. If you have any questions, please contact Kathy Oline, Assistant Director of the Research Division, at (360) 664-0276.

cc: Governor Christine Gregoire  
Members, Senate Ways and Means Committee  
Members, House Finance Committee  
Marty Brown, Director, Office of Financial Management

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Chapter One

DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PROGRAMS:  
EXECUTIVE SUMMARY

This is the sixth in a series of annual reports to the Legislature by the Washington State Department of Revenue. It results from various accountability statutes which require the Department to compile data from annual surveys filed by firms that participate in selected tax incentive programs.

This report covers activity during calendar year 2009. Taxpayers that used these incentives were required to file a survey by March 31, 2010, and the data reported herein are a synopsis of those surveys. The Department made a concerted effort to notify known participants, including sending reminders and direct contacts with firms. However, the statutory reporting schedule allows limited time to complete auditing and verification of the data that was reported on the surveys. The data that are presented are simply the information that was reported by participants with corrections that were made in the time available.

The 2010 Descriptive Statistics report includes ten tax incentive programs:

- B&O tax rate reduction for manufacturers of timber and wood products
- B&O tax exemption for fruit/vegetable processors
- B&O tax exemption for producers of dairy products
- B&O tax exemption for producers of seafood products
- B&O tax credit for high tech R&D spending
- B&O tax credit for work force training expenditures
- Sales tax deferral/exemption for manufacturers in rural counties
- Sales tax deferral/exemption for high tech R&D investments
- Sales tax deferral/exemption for fruit and vegetable processors, manufacturers of dairy and seafood products, and cold storage warehouses
- Sales tax deferral/exemption for biotech manufacturers.

Summary information for all ten programs is illustrated in Tables 1.1 and 1.2.

Table 1.3 indicates that the B&O tax credit for research and development spending had the most participants in 2009 with 484 firms. At the other extreme was the B&O tax credit for work force training expenditures which had only one participant. Some firms participated in more than one program, so the overall participant counts are not additive. Also, some program information is not shown in this report because of disclosure requirements. The Department must aggregate certain data for at least three taxpayers to avoid revealing confidential taxpayer information.

Next, the aggregate revenue impacts are shown in Table 1.4. The dollar amounts for the B&O tax rate reductions, tax exemptions and credits represent taxes that would otherwise have been paid during the calendar year. In contrast, the sales/use tax figures reflect the total state and local tax amounts that were deferred (and presumably will be exempt if qualifying criteria continue to be met) over the eight-year reporting period. Sales tax deferral/exemption participants first report in the year following the year in which the project was certified as operationally complete; they continue to report for the following seven years as well. Thus, the information for these programs is not additive over time because the same sales tax impact data and employment information is repeated for the following seven years to assure continued eligibility for the eventual exemption. As a result, the 2009 surveys include sales tax deferral projects completed in calendar years 2002 through 2009.

The program with the largest impact on tax receipts was the high tech sales tax deferral/exemption with a total revenue cost of \$109.8 million. The other large impact program was the rural county sales tax deferral/exemption with an aggregate impact of \$80.7 million. (As noted above, the dollar amount of the sales tax deferral/exemptions for a particular investment is reported each year up to a total of eight years. Both sales tax programs include local sales tax impacts.) The other incentive with a relatively large revenue impact was the B&O tax credit for high technology with a reported \$23.8 million impact.

Table 1.5 summarizes the total employment of tax incentive participants. These are NOT new jobs associated with the expansion of the firm. Rather, they are the total in-state jobs reported by firms that claimed the incentive. As with the total count of participants, the employment information is not additive because some firms reported total employment under more than one incentive program. There was some discrepancy in the reported number of jobs, particularly for firms with fewer than 50 employees. This may have been due to sole proprietors who did not count owners of the firm as employees.

The most jobs were associated with the high tech sales tax deferral/exemption, comprising 114,349 jobs for the firms that utilized the tax incentives in 2009. Following closely was the high tech B&O tax credit with 96,960 jobs. The rural county sales tax deferral/exemption totaled 29,360 jobs.

The remainder of the report consists of one chapter for each of the ten programs. These chapters start with background information about the tax incentives, followed by tables which contain more detailed information as specified by statute.

**Table 1.1**  
**COMPARISON OF TAX INCENTIVE PROGRAMS**

**Overview of Programs Requiring Annual Descriptive Statistics - Part I**

<u>Tax Incentive Program/Chapter</u>	<u>Statutory References</u>		<u>Program Dates</u>	
	<u>Tax Incentive</u>	<u>Accountability</u>	<u>1st Effective</u>	<u>Expires</u>
<b>B&amp;O TAX RATE REDUCTIONS:</b>				
Manuf. timber/wood (C 2)	82.04.260(12)	82.32.630	07/01/2006	06/30/2024
<b>B&amp;O TAX EXEMPTIONS/DEDUCTIONS:</b>				
Fruit and vegetables (C 3)	82.04.4266	82.32.610	07/01/2005	07/01/2012
Dairy products (C 4)	82.04.4268	82.32.610	07/01/2006	07/01/2012
Seafood products (C 5)	82.04.4269	82.32.610	07/01/2006	07/01/2012
<b>B&amp;O TAX CREDITS:</b>				
High tech R&D (C 6)	82.04.4452	82.04.4452	01/01/1995	01/01/2015
Work force training (C 7)	82.04.449	82.32.650	06/07/2006	07/01/2016
<b>SALES TAX EXEMPTIONS/DEFERRALS:</b>				
Rural Counties (C 8)	82.60.040	82.60.070	07/01/1985	07/01/2010
High tech R&D (C 9)	82.63.030	82.63.020	01/01/1995	01/01/2015
Ag products/cold storage (C10)	82.74.030	82.74.040	07/01/2007	07/01/2012
Biotech manufacturing (C 11)	82.75.030	82.32.645	07/01/2006	01/01/2017



**Table 1.2**  
**COMPARISON OF TAX INCENTIVE PROGRAMS**

**Overview of Programs Requiring Annual Descriptive Statistics - Part II**

Tax Incentive Program / Chapter	Annual Survey		Summary of Tax Incentive
	First Report	Electronic Filing	
<b>B&amp;O TAX RATE REDUCTIONS:</b>			
Manuf. timber/wood (C 2)	2007	Yes	Rate of 0.2904% for processing timber/manuf. wood products.
<b>B&amp;O TAX EXEMPTIONS/DEDUCTIONS:</b>			
Fruit and vegetables (C 3)	2006	Yes	Exemption for income from processing fresh fruit and vegetables if sold out of state.
Dairy products (C 4)	2007	Yes	Exemption for income from manufacturing dairy products if sold out of state.
Seafood products (C 5)	2007	Yes	Exemption for income from manufacturing raw seafood products if sold out of state.
<b>B&amp;O TAX CREDITS:</b>			
High tech R&D (C 6)	2005	Yes	Credit for expenditures on R&D by firms in five high tech areas.
Work force training (C 7)	2007	No	50% of payments by employers who participate in customized employment training.
<b>SALES TAX EXEMPTIONS/DEFERRALS:</b>			
Rural counties (C 8)	2005	No	Deferral/exemption for manufacturing or R&D facilities in rural counties or CEZs.
High tech R&D (C 9)	2005	No	Deferral/exemption for R&D/pilot scale manuf. facilities by firms in five high tech areas.
Ag products/cold storage (C 10)	2008	Yes	Deferral/exemption for processing fresh fruit/vegetables, dairy, seafood & cold storage.
Biotech manufacturing (C 11)	2007	No	Deferral/exemption for facilities to manufacture biotech products or medical devices.

**Table 1.3**  
**SUMMARY OF DESCRIPTIVE STATISTICS BY PROGRAM**  
**Participation in Tax Incentive Programs by Calendar Year**  
**Latest Five Years**

Program	Number of Participants				
	2005	2006	2007	2008	2009
<b>B&amp;O RATE REDUCTIONS:</b>					
Manuf. timber/wood	n.a.	323	357	299	260
<b>B&amp;O EXEMPTIONS/DEDUCTIONS:</b>					
Fruit and vegetables	42	40	111	103	95
Dairy products	n.a.	4	9	10	7
Seafood products	n.a.	4	13	16	19
<b>B&amp;O CREDITS:</b>					
High tech R&D	535	484	508	481	484
Work force training	n.a.	0	D	7	1
<b>SALES TAX EXEMPTIONS/DEFERRALS:</b>					
Rural counties	238	255	293	317	306
High tech R&D	76	84	91	80	73
Ag products/cold storage	n.a.	n.a.	5	7	17
Biotech manufacturing	n.a.	0	4	6	4

n.a. = not applicable, because program does not yet require descriptive statistics

**Table 1.4**  
**SUMMARY OF DESCRIPTIVE STATISTICS BY PROGRAM**

**Tax Savings Associated with Tax Incentive Programs by Calendar Year**  
**Latest Five Years**

<u>Program</u>	<u>Tax Savings (\$ in millions)</u>				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>B&amp;O RATE REDUCTIONS:</b>					
Manuf. timber/wood	n.a.	\$ 1.8	\$ 7.9	\$ 14.1	\$ 10.8
<b>B&amp;O EXEMPTIONS/DEDUCTIONS:</b>					
Fruit and vegetables	\$ 2.6	\$ 4.7	\$ 4.4	\$ 4.8	\$ 3.3
Dairy products	n.a.	\$ 0.4	\$ 1.3	\$ 1.5	\$ 0.8
Seafood products	n.a.	\$ 0.3	\$ 1.3	\$ 3.3	\$ 1.2
<b>B&amp;O CREDITS:</b>					
High tech R&D	\$ 19.8	\$ 17.5	\$ 19.8	\$ 22.0	\$ 23.8
Work force training	n.a.	\$ -	D	\$ 0.05	\$ 0.004
<b>SALES TAX EXEMPTIONS/DEFERRALS:</b>					
Rural counties	\$ 57.5	\$ 63.2	\$ 57.0	\$ 69.1	\$ 80.7
High tech R&D	\$ 65.9	\$ 80.0	\$ 127.2	\$ 122.5	\$ 109.8
Ag products/cold storage	n.a.	n.a.	\$ 0.3	\$ 2.1	\$ 5.5
Biotech manufacturing	n.a.	\$ -	\$ 1.4	\$ 0.4	\$ 0.2

n.a. = not applicable, because program does not yet require descriptive statistics

D = cannot disclose due to insufficient number of firms.

**Table 1.5**  
**SUMMARY OF DESCRIPTIVE STATISTICS BY PROGRAM**

**Total Jobs for Tax Incentive Program Participants by Calendar Year**  
**Latest Five Years**

<u>Program</u>	<u>Number of Total Jobs in Washington Reported by Participants</u>				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>B&amp;O RATE REDUCTIONS:</b>					
Manuf. timber/wood	n.a.	20,986	23,499	20,335	18,315
<b>B&amp;O EXEMPTIONS/DEDUCTIONS:</b>					
Fruit and vegetables	9,583	9,249	8,626	12,549	12,020
Dairy products	n.a.	924	1,277	1,560	1,180
Seafood products	n.a.	1,583	2,111	2,711	2,470
<b>B&amp;O CREDITS:</b>					
High tech R&D	83,261	88,357	96,130	101,888	96,960
Work force training	n.a.	0	D	1,377	D
<b>SALES TAX EXEMPTIONS/DEFERRALS:</b>					
Rural counties	29,853	31,168	38,530	33,383	29,360
High tech R&D	87,073	94,873	108,894	116,524	114,349
Ag products/cold storage	n.a.	n.a.	184	1,957	3,440
Biotech manufacturing	n.a.	0	238	450	D

n.a. = not applicable, because program does not yet require descriptive statistics

D = cannot disclose due to insufficient number of firms.

Chapter Two

BUSINESS AND OCCUPATION TAX RATE REDUCTION  
FOR TIMBER AND WOOD PRODUCTS

A preferential B&O tax rate for the timber industry was adopted in 2006, effective July 1, 2006; it is codified as RCW 82.04.260(12). The reduced business tax is provided for firms that extract timber, manufacture timber into timber or wood products, or make wholesale sales of timber or wood products. The tax rate was reduced from the regular 0.484 percent manufacturing/wholesaling rate to 0.4235 percent for the first year (Fiscal Year 2007) and then to 0.2904 percent starting on July 1, 2007. This rate remains in effect until the end of Fiscal Year 2024.

Firms that utilize this preferential rate were directed to complete an annual survey by March 31 which forms the basis for this report (RCW 82.32.630). The following data are required to be included in the descriptive statistics report for this tax incentive:

- Dollar amount of reduced B&O tax due to the preferential rate.
- Total jobs for program participants.
- Percentage breakdown of total jobs: full-time, part-time, and temporary.
- Total jobs for program participants according to annual wages paid:
  - Less than \$30,000
  - \$30,000 to \$59,999
  - \$60,000 or more.
- Number of jobs that receive employer-provided benefits - medical, dental, and retirement - by wage band.

The information specified above is contained in the following tables of this chapter. Although not required by statute, some of the tables provide a breakdown of program participants by size of firm, based on total Washington employment.

The data shown below reflect the 12 months of calendar year 2009 for the 260 companies that claimed the tax credit during this period.

## Chapter Two

**Table 2.1**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**B&O Tax Rate Reduction for Manufacturing Timber and Wood Products**  
**Reduction in B&O Tax Claimed by Size of Employment**  
**Calendar Year 2009**

Total Washington Employment of Participants	Number of Firms Claiming Reduced Reduced B&O Tax	Total Reduction in B&O Tax Reported
Fewer than 50	194	\$1,774,246
50 - 250	50	\$3,104,459
More than 250	16	\$5,903,059
TOTAL	260	\$10,781,764

**Table 2.2**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**B&O Tax Rate Reduction for Manufacturing Timber and Wood Products**  
**Total Washington Employment of Participants by Size of Employment**  
**Calendar Year 2009**

Size of Washington Employment	Number of Firms Claiming Reduced B&O Tax	Total Employment in Washington of Firms Claiming Reduced B&O Tax	Percentage of Jobs that are:*		
			Full-time	Part-time	Temporary
Fewer than 50	194	1,600	89.7%	9.3%	1.0%
50 - 250	50	5,899	96.0%	0.8%	3.1%
More than 250	16	10,816	98.9%	0.6%	0.4%
TOTAL	260	18,315	97.2%	1.4%	1.3%

\*Percentages may not add to 100% because not all survey respondents provided complete information.

**Table 2.3**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**B&O Tax Rate Reduction for Manufacturing Timber and Wood Products  
 Employment and Employee Benefits by Wage Band  
 Calendar Year 2009**

Wage Bands	Total Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	2,924	1,947	1,831	1,384
\$30,000 - \$60,000	10,185	7,751	7,668	6,956
\$60,000 or more	5,206	4,825	4,808	4,438
TOTAL	18,315	14,523	14,307	12,778

Chapter Three

BUSINESS AND OCCUPATION TAX EXEMPTION  
FOR FRUIT AND VEGETABLE PROCESSORS

The B&O tax exemption for firms that process fresh fruit and vegetables was established in 2005 and is codified as RCW 82.04.4266. The exemption became effective on July 1, 2005.

The legislation exempts from B&O tax income derived from canning, preserving, freezing, processing, or dehydrating fruit and vegetables. Also exempt are wholesale sales of such products if they are transported directly out of state by the purchaser. A recent determination by the Department of Revenue found that manufacturing of wine qualifies as processing of fresh fruit and vegetables. Thus, wineries have now been added to this tax incentive program.

In 2006 a termination date was added to the exemption; the B&O exemption for processing of fresh fruit and vegetables will expire on July 1, 2012. At that time income from processing of these items will return to the preferential B&O tax rate classification of 0.138 percent in effect prior to July 1, 2005. NOTE: The 2006 legislation also provided the same exemption for processing of dairy and seafood products; these tax incentives are discussed separately in Chapters Four and Five.

RCW 82.32.610 established accountability provisions for the fruit and vegetable tax exemption. The purpose of this process is to obtain information on the use of the tax incentive so that the Legislature can evaluate the effectiveness of the program. Firms that use the tax exemption are required to file an annual survey with the Department by March 31. Based on the information submitted, the Department is required to report data on the program as summary descriptive statistics.

The following data are required to be included in the descriptive statistics report:

- Dollar amount of tax exemption taken.
- Total jobs for program participants.
- Percentage breakdown of total jobs: full-time, part-time, and temporary.
- Total jobs for program participants according to annual wages paid:
  - Less than \$30,000
  - \$30,000 to \$59,999
  - \$60,000 or more.
- Number of jobs that receive employer-provided benefits - medical, dental, and retirement - by wage band.

The information specified above is contained in the following tables of this chapter for the 95 firms that claimed the tax exemption during calendar year 2009. Although not



required by statute, some of the tables provide a breakdown of program participants by size of firm, based on total Washington employment.

**Table 3.1**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Fruit and Vegetable Processors**  
**B&O Tax Exemptions Claimed by Size of Employment**  
**Calendar Year 2009**

<u>Total Washington Employment of Participants</u>	<u>Number of Firms Claiming B&amp;O Tax Exemption</u>	<u>Total B&amp;O Tax Exemption Claimed</u>
Fewer than 50	68	\$423,990
50 - 250	17	\$718,108
More than 250	10	\$2,131,839
TOTAL	95	\$3,273,937

Chapter Three

**Table 3.2**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**  
**Fruit and Vegetable Processors**  
**Total Washington Employment of Participants by Size of Employment**  
**Calendar Year 2009**

Size of Washington Employment	Number of Firms Claiming B&O Tax Exemption	Total Employment in Washington of Firms Claiming B&O Exemption	Percentage of Jobs that are:*		
			Full-time	Part-time	Temporary
Fewer than 50	68	823	61.6%	30.5%	7.9%
50 - 250	17	1,613	81.9%	7.6%	10.5%
More than 250	10	9,584	75.9%	11.5%	13.0%
<b>TOTAL</b>	<b>95</b>	<b>12,020</b>	<b>75.7%</b>	<b>12.2%</b>	<b>12.3%</b>

\*Percentages may not add to 100% because not all survey respondents provided complete information.

**Table 3.3**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Fruit and Vegetable Processors**  
**Employment and Employee Benefits by Wage Band**  
**Calendar Year 2009**

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	6,908	2,768	2,589	2,813
\$30,000 - \$60,000	4,067	3,450	3,412	2,911
\$60,000 or more	1,045	973	952	923
TOTAL	12,020	7,191	6,953	6,647

Chapter Four

BUSINESS AND OCCUPATION TAX EXEMPTION  
FOR MANUFACTURERS OF DAIRY PRODUCTS

A parallel exemption to the exemption for fruit and vegetable processors (Chapter Three) was adopted in 2006 for firms that manufacture dairy products - RCW 82.04.4268. Also exempt are wholesale sales of such products if they are transported directly out of state by the purchaser. The exemption for dairy products was effective on July 1, 2006.

The exemption for dairy products will expire on July 1, 2012. At that time income from the manufacture of these items will return to the preferential B&O tax rate classification of 0.138 percent.

RCW 82.32.610 established accountability provisions for the dairy products exemption. The purpose of this process is to obtain information on the utilization of the tax incentive so that the Legislature can evaluate the effectiveness of the program. Firms that utilize the tax exemption are required to file an annual survey with the Department by March 31. Based on the information submitted, the Department is required to report data on the program as summary descriptive statistics.

The following data are required to be included in the descriptive statistics report:

- Dollar amount of tax exemption taken.
- Total jobs for program participants.
- Percentage breakdown of total jobs: full-time, part-time, and temporary.
- Total jobs for program participants according to annual wages paid:
  - Less than \$30,000
  - \$30,000 to \$59,999
  - \$60,000 or more.
- Number of jobs that receive employer-provided benefits - medical, dental, and retirement - by wage band.

During calendar year 2009 there were seven dairy producers that claimed the B&O tax exemption.

**Table 4.1  
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Manufacturers of Dairy Products  
B&O Tax Exemptions Claimed by Size of Employment  
Calendar Year 2009**

<u>Total Washington Employment of Participants</u>	<u>Number of Firms Claiming B&amp;O Tax Exemption</u>	<u>Total B&amp;O Tax Exemption Claimed</u>
Fewer than 50	3	\$6,764
50 plus	4	\$843,080
TOTAL	7	\$849,845

**Table 4.2  
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Manufacturers of Dairy Products  
Total Washington Employment of Participants by Size of Employment  
Calendar Year 2009**

<u>Size of Washington Employment</u>	<u>Number of Firms Claiming B&amp;O Tax Exemption</u>	<u>Total Employment in Washington of Firms Claiming B&amp;O Exemption</u>	<u>Percentage of Jobs that are:*</u>		
			<u>Full-time</u>	<u>Part-time</u>	<u>Temporary</u>
Fewer than 50	3	50	48.0%	51.9%	0.0%
50 plus	4	1,130	94.7%	5.3%	0.0%
TOTAL	7	1,180	92.7%	7.3%	0.0%

\* Percentages may not add to 100% because not all survey respondents provided complete information.

**Table 4.3  
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Manufacturers of Dairy Products  
Employment and Employee Benefits by Wage Band  
Calendar Year 2009**

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	200	127	118	102
\$30,000 - \$60,000	662	631	485	615
\$60,000 or more	318	14	314	312
TOTAL	1,180	1,072	917	1,029

Chapter Five

BUSINESS AND OCCUPATION TAX EXEMPTION  
FOR MANUFACTURERS OF SEAFOOD PRODUCTS

Similar to the exemption for producers of dairy products (Chapter Four), an equivalent exemption was also adopted in 2006 for firms that manufacture seafood products – RCW 82.04.4269. Also exempt are wholesale sales of such products if they are transported directly out of state by the purchaser. The exemption for seafood products was effective on July 1, 2006.

The exemption for seafood products will expire on July 1, 2012. At that time income from the manufacture of these items will return to the preferential B&O tax rate classification of 0.138 percent.

RCW 82.32.610 established accountability provisions for the seafood products exemption. The purpose of this process is to obtain information on the utilization of the tax incentive so that the Legislature can evaluate the effectiveness of the program. Firms that utilize the tax exemption are required to file an annual survey with the Department by March 31. Based on the information submitted, the Department is required to report data on the program as summary descriptive statistics.

The following data are required to be included in the descriptive statistics report:

- Dollar amount of tax exemption taken.
- Total jobs for program participants.
- Percentage breakdown of total jobs: full-time, part-time, and temporary.
- Total jobs for program participants according to annual wages paid:
  - Less than \$30,000
  - \$30,000 to \$59,999
  - \$60,000 or more.
- Number of jobs that receive employer-provided benefits - medical, dental, and retirement - by wage band.

The following tables contain the information specified above for the 19 seafood producers that claimed the B&O exemption during calendar year 2009.

**Table 5.1**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Manufacturers of Seafood Products**  
**B&O Tax Exemptions Claimed by Size of Employment**  
**Calendar Year 2009**

<u>Total Washington Employment of Participants</u>	<u>Number of Firms Claiming B&amp;O Tax Exemption</u>	<u>Total B&amp;O Tax Exemption Claimed</u>
Fewer than 50	13	\$170,045
50 plus	6	\$985,581
TOTAL	19	\$1,155,625

**Table 5.2**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Manufacturers of Seafood Products**  
**Total Washington Employment of Participants by Size of Employment**  
**Calendar Year 2009**

<u>Size of Washington Employment</u>	<u>Number of Firms Claiming B&amp;O Tax Exemption</u>	<u>Total Employment in Washington of Firms Claiming B&amp;O Exemption</u>	<u>Percentage of Jobs that are:</u>		
			<u>Full-time</u>	<u>Part-time</u>	<u>Temporary</u>
Fewer than 50	13	116	73.7%	26.3%	0.0%
50 plus	6	2,354	61.9%	15.7%	22.4%
TOTAL	19	2,470	62.5%	16.2%	21.3%



**Table 5.3**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Manufacturers of Seafood Products**  
**Employment and Employee Benefits by Wage Band**  
**Calendar Year 2009**

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	1,187	363	355	179
\$30,000 - \$60,000	816	579	576	410
\$60,000 or more	467	391	390	355
TOTAL	2,470	1,333	1,321	944

Chapter Six

BUSINESS AND OCCUPATION TAX CREDIT  
FOR RESEARCH AND DEVELOPMENT EXPENDITURES  
BY HIGH TECHNOLOGY FIRMS

The "high tech" B&O tax credit was established in 1994, effective January 1, 1995. It is codified as RCW 82.04.4452. It provides a tax credit of up to \$2 million annually for eligible expenditures by firms that are engaged in one or more of the following areas of high technology:

- Advanced computing
- Advanced materials
- Biotechnology
- Electronic device technology
- Environmental technology

The credit is allowed for eligible expenditures on research and development in excess of 0.92 percent of the firm's taxable income. The percentage threshold was based on national average expenditures for R&D. The calculation procedure to determine the credit amount was revised in 2004 and again in 2005. The firm first determines its qualified R&D expenditures pursuant to RCW 82.04.4452(9)(b). Next, the firm subtracts an amount equal to 0.92 percent of the firm's taxable income multiplied by the firm's average tax rate. An additional calculation applies for credits taken starting in calendar year 2007; this provides a statutory alternative to the average tax rate and is phased in from 0.75 percent to 1.5 percent by 2010.

Originally, the tax credit program was to expire at the end of 2004. As a result of a 2004 amendment, the expiration date was moved to January 1, 2015.

The 2004 amendment also established an annual survey requirement for program participants in Subsection 6 of the same statute. Taxpayers who claim the B&O tax credit are to file a survey annually. Based on the data reported, the Department must compile summary statistics on the program and report annually to the Legislature. The following data are required to be included in the descriptive statistics report for this tax incentive:

- Dollar amount of tax credit taken.
- Qualified expenditures for research and development.
- Taxable amount against which the credit is claimed.
- Number of new products or research projects resulting from the expenditures.
- Number of trademarks, patents, or copyrights associated with the R&D activities.
- Credits that were assigned to another firm (none were reported).

- Total jobs for program participants.
- Percentage breakdown of total jobs: full-time, part-time, and temporary.
- Total jobs for program participants according to annual wages paid:
  - Less than \$30,000
  - \$30,000 to \$59,999
  - \$60,000 or more.
- Number of jobs that receive employer-provided benefits - medical, dental, and retirement - by wage band.

The information specified above is contained in the following tables of this chapter for the 484 firms that claimed the B&O tax credit during calendar year 2009. Although not required by statute, some of the tables provide a breakdown of program participants by size of firm, based on total Washington employment.

**Table 6.1  
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**High Technology Firms  
B&O Tax Credits Claimed by Size of Employment  
Calendar Year 2009**

Total Washington Employment of Participants	Number of Firms Claiming B&O Tax Credits	Total B&O Tax Credits Claimed	B&O Taxable Income for which Credit is Claimed	Total Qualified Expenditures by Participants
Fewer than 50	357	\$3,400,120	\$1,011,396,382	\$397,767,875
50 - 250	90	\$5,086,735	\$2,094,947,643	\$573,255,296
More than 250	37	\$15,328,090	\$7,174,514,892	\$5,794,368,405
TOTAL	484	\$23,814,945	\$10,280,858,917	\$6,765,391,576

**Table 6.2**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**High Technology Firms**  
**B&O Tax Credits Claimed by Category of Technology**  
**Calendar Year 2009**

<u>Category of High Technology</u>	<u>Number of Firms Claiming B&amp;O Tax Credits*</u>	<u>Total B&amp;O Tax Credits Claimed</u>	<u>B&amp;O Taxable Income for which Credit is Claimed</u>	<u>Total Qualified Expenditures by Participants</u>
Advanced Computing	262	\$9,770,180	\$3,230,165,400	\$146,472,001
Advanced Materials	33	\$1,024,708	\$536,401,371	\$103,047,490
Biotechnology	78	\$2,455,628	\$543,978,363	\$429,517,192
Electronic Devices	150	\$5,485,503	\$3,394,171,858	\$560,652,449
Environmental	48	\$5,074,407	\$2,575,647,343	\$525,397,218
<b>TOTAL</b>	<b>571</b>	<b>\$23,810,426</b>	<b>\$10,280,364,335</b>	<b>\$1,765,086,350</b>

\*Totals do not agree with Table 6.1 as some firms reported under multiple technology categories.

## Chapter Six

**Table 6.3  
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**High Technology Firms  
Total Washington Employment of Participants by Size of Employment  
Calendar Year 2009**

Size of Washington Employment	Number of Firms Claiming B&O Tax Credit	Total Employment in Washington of Firms Claiming B&O Credits	Percentage of Jobs that are:*		
			Full-time	Part-time	Temporary
Fewer than 50	357	5,166	89.1%	8.8%	2.1%
50 - 250	90	10,664	95.1%	2.1%	2.9%
More than 250	37	81,130	82.2%	1.4%	16.4%
TOTAL	484	96,960	84.0%	1.9%	14.2%

\*Percentages may not add to 100% because not all survey respondents provided complete information.

**Table 6.4  
DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**High Technology Firms  
Employment and Employee Benefits by Wage Band  
Calendar Year 2009**

Wage Bands	Washington Employment by Wage Bands*	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	3,411	2,255	2,251	1,699
\$30,000 - \$60,000	13,764	11,977	11,963	10,376
\$60,000 or more	79,785	65,535	65,270	58,219
TOTAL	96,960	79,767	79,484	70,294

\*Total does not agree with Table 6.3 due to incomplete reporting by survey respondents.

**Table 6.5**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**High Technology Firms**  
**New Products and Innovations Developed by Participants**  
**Calendar Year 2009**

Size of Washington Employment	Number of Firms Claiming B&O Tax Credits	Innovations by Participants		Evidence of Innovations		
		New Products or Processes	New Research Projects	Trademarks	Patents	Copyrights
Fewer than 50	357	1,844	2,195	88	74	17
50 - 250	90	586	503	225	282	17
More than 250	37	3,272	3,316	189	3,372	115
TOTAL	484	5,702	6,014	502	3,728	149

Chapter Seven

BUSINESS AND OCCUPATION TAX CREDIT  
FOR WORK FORCE TRAINING EXPENDITURES

A B&O tax credit for training costs was established in 2006, effective June 7, 2006. The credit is codified as RCW 82.04.449 and is scheduled to expire on July 1, 2016. It enables employers to take a credit of up to one-half of their expenditures for customized training at community and technical colleges in Washington, pursuant to the program established in RCW 28B.67.030. The program requires that participating employers increase their employment in this state by at least 75 percent of the number of employees who are enrolled in the training program.

The statute also established an annual survey requirement for program participants (RCW 82.32.650). Taxpayers claiming the B&O tax credit are to file a survey annually by March 31. Based on the data reported, the Department must compile summary statistics on the program and report annually to the Legislature. The following data are required to be included in the descriptive statistics report for this tax incentive:

- Dollar amount of tax credit taken.
- Total jobs for program participants.
- Percentage breakdown of total jobs: full-time, part-time, and temporary.
- Total jobs for program participants according to annual wages paid:
  - Less than \$30,000
  - \$30,000 to \$59,999
  - \$60,000 or more.
- Number of jobs that receive employer-provided benefits - medical, dental, and retirement - by wage band.

With the exception of the amount of credit taken, all information provided in the survey is confidential and must be aggregated for at least three taxpayers. During calendar year 2009 only one firm reported taking the credit for eligible training costs. The amount of credit claimed by this one taxpayer was \$4,267 during calendar year 2009. The remainder of the data on employment and wages cannot be disclosed.

Chapter Eight

SALES/USE TAX DEFERRAL/EXEMPTION  
FOR INVESTMENTS IN RURAL COUNTIES

The deferral/exemption of retail sales/use tax for manufacturers investing in rural counties was established in 1985 and is codified as chapter 82.60 RCW. The original program was oriented toward economically distressed counties and community empowerment zones (CEZs).

County eligibility was originally determined by high rates of unemployment. In 1999 the criterion was changed to one of population density. Since this change, investment occurring in counties with an average population density of less than 100 residents per square mile qualified for the incentive. Subsequently, the definition of eligible counties was amended in 2004 to include Island County. Currently 32 counties qualify as “rural” counties. In addition, four non-rural counties--King, Pierce, Spokane, and Kitsap--contain CEZs and are potentially eligible if the business meets certain hiring requirements. Consequently, only three of the 39 counties--Snohomish, Thurston, and Clark--are completely excluded from the program.

Initially, the program was scheduled to expire after six years on June 30, 1991; this date was extended several times so that now applications for the program will not be accepted on or after July 1, 2010.

The 2010 Legislature allowed this program to expire as scheduled by cutting off applications at the end of Fiscal Year 2010. However, in its place and in the same statute it enacted a new, but similar program which will be more like the original rural county sales tax deferral. The new deferral program, effective July 1, 2010, is based on average county unemployment rates. To qualify, a manufacturer or R&D firm will have to be located in a CEZ or a county with unemployment in excess of 20 percent of the statewide average. This will reduce the initial coverage of the program from 32 counties to 13 counties.

Applications for the deferral/exemption of state and local retail sales and use tax may be made by manufacturers and firms engaged in R&D for investments in the eligible areas. Investments include the construction of new structures or major expansions of existing facilities to be used for manufacturing or R&D activities, as well as machinery used for these purposes. Similar to the high tech sales tax deferral/exemption program, the deferred tax on facilities or machinery which continues to be used for qualifying purposes does not need to be repaid. This change to an outright exemption was made in 1994, although earlier amendments had waived the repayment requirement in certain circumstances.



In 2004 accountability provisions were added to RCW 82.60.070. Taxpayers taking the sales tax deferral/exemption were required to file an annual survey containing specified information. The survey must be filed by March 31 of the year after which the investment project is certified by the Department as being operationally complete. Thereafter, the taxpayer must also file the survey in each of the subsequent seven years. Based on this data, the Department was directed to compile the summary statistics which are presented in this report.

Listed below are the specific elements to be included in the annual descriptive statistics report for the rural county sales tax deferral/exemption:

- Dollar amount of sales/use tax deferred.
- Number of new products or research projects developed.
- Number of trademarks, patents, or copyrights associated with the activities.
- Total jobs for program participants.
- Percentage breakdown of total jobs: full-time, part-time, and temporary.
- Total jobs for program participants according to annual wages paid:
  - Less than \$30,000
  - \$30,000 to \$59,999
  - \$60,000 or more.
- Number of jobs that receive employer-provided benefits - medical, dental, and retirement - by wage band.

The information specified above is contained in the following tables of this chapter for the 306 firms that reported the deferral/exemption upon completed and audited projects during calendar year 2009. Although not required by statute, some of the tables provide a breakdown of program participants by size of firm, based on total Washington employment.

It should be remembered that the data reported for the sales tax deferral/exemption are not additive over time. This is due to the requirement for firms to submit survey information for completed projects initially in the year after the project is complete, plus surveys in each of the following seven years. Thus, the information reported for calendar year 2009 includes projects completed in each of the years from 2002 through 2009. Further, the data in the annual surveys, as reported in the annual Descriptive Statistics report, include only projects which have been completed and audited by the Department. The figures reported here do not include other projects for which application has been made but which are not yet completed and audited.

**Table 8.1**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Investments by Manufacturers and R&D Firms in Rural Counties**  
**Retail Sales/Use Tax Deferrals Claimed by Size of Employment**  
**Calendar Year 2009**

<u>Total Washington Employment of Participants</u>	<u>Number of Firms Claiming Sales Sales Tax Deferrals</u>	<u>Total State/Local Sales Tax Deferrals Taken</u>
Fewer than 50	196	\$24,171,123
50 - 250	88	\$22,954,932
More than 250	22	\$33,590,711
TOTAL	306	\$80,716,766

**Table 8.2**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Investments by Manufacturers and R&D Firms in Rural Counties**  
**Total Washington Employment of Participants by Size of Employment**  
**Calendar Year 2009**

<u>Size of Washington Employment</u>	<u>Number of Firms Claiming Sales Tax Deferrals</u>	<u>Total Employment in Washington of Firms Claiming Sales Tax Deferrals</u>	<u>Percentage of Jobs that are:*</u>		
			<u>Full-time</u>	<u>Part-time</u>	<u>Temporary</u>
Fewer than 50	196	3,124	83.6%	12.7%	3.7%
50 - 250	88	8,865	88.7%	6.9%	4.4%
More than 250	22	17,371	95.8%	2.1%	2.3%
TOTAL	306	29,360	92.4%	4.7%	3.1%

\*Percentages may not add to 100% because not all survey respondents provided complete information.

Chapter Eight

**Table 8.3**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Investments by Manufacturers and R&D Firms in Rural Counties  
Employment and Employee Benefits by Wage Band  
Calendar Year 2009**

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	10,139	6,273	5,994	4,517
\$30,000 - \$60,000	14,108	12,638	12,381	10,048
\$60,000 or more	5,113	4,869	4,758	4,412
TOTAL	29,360	23,780	23,133	18,977

**Table 8.4**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Investments by Manufacturers and R&D Firms in Rural Counties  
New Products and Innovations Developed by Participants by Size of Employment  
Calendar Year 2009**

Size of Washington Employment	Number of Firms Claiming Sales Tax Deferrals	Innovations by Participants		Evidence of Innovations		
		New Products	New Research Projects	Trademarks	Patents	Copyrights
Fewer than 50	196	211	131	7	1	0
50 - 250	88	80	36	15	2	0
More than 250	22	92	459	27	19	0
TOTAL	306	383	626	49	22	0

Chapter Nine

SALES/USE TAX DEFERRAL/EXEMPTION  
FOR INVESTMENTS BY HIGH TECHNOLOGY FIRMS

The high technology deferral/exemption program was established in 1994, effective January 1, 1995. It is codified as chapter 82.63 RCW. The program provides a deferral and ultimate waiver of state and local sales and use taxes on construction of facilities and purchase of eligible machinery by firms engaged in the same five areas of high technology as the B&O tax credit (Chapter Six). These activities are:

- Advanced computing
- Advanced materials
- Biotechnology
- Electronic device technology
- Environmental technology

Expenditures eligible for the deferral are the construction of facilities in which research and development activities are conducted, as well as pilot scale manufacturing plants - not the actual full-scale manufacturing facilities. Acquisition of machinery necessary to conduct the R&D activities also qualifies for the deferral.

The 1994 statute allowed only a deferral of the sales/use tax liability; repayment was to start the third year following completion of the facility with repayments occurring over the subsequent five years. Different repayment schedules were provided for a cancer research institute and firms that develop drugs or biological products which required FDA licensing. The following year a provision was added which basically turned the deferral into an exemption, because the deferred taxes did not need to be repaid if the facility and/or machinery continued to be used for qualified R&D purposes for at least the following seven years.

The original law provided the deferral/exemption only for a ten-year period. In 2004 the expiration date was extended to January 1, 2015.

The 1994 statute directed the Department to perform three assessments of the program; reports were produced in 1997, 2000, and 2003. This requirement was amended in 2004 and the current accountability provisions were added to RCW 82.63.020. Now taxpayers who take the sales tax deferral/exemption must file an annual survey containing specified information. The survey must be filed by March 31 of the year after the investment project is certified by the Department as being operationally complete. Thereafter, the taxpayer must also file the survey in each of the subsequent seven years. Based on this data, the Department compiles the summary statistics which are presented in this report.

## Chapter Nine

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Listed below are the specific elements to be included in the annual descriptive statistics report for the high tech sales tax deferral/exemption:

- Dollar amount of sales/use tax deferred.
- Number of new products or research projects developed.
- Number of trademarks, patents, or copyrights associated with the R&D activities.
- Total jobs for program participants.
- Percentage breakdown of total jobs: full-time, part-time, and temporary.
- Total jobs for program participants according to annual wages paid:
  - Less than \$30,000
  - \$30,000 to \$59,999
  - \$60,000 or more.
- Number of jobs that receive employer-provided benefits - medical, dental, and retirement - by wage band.

The information specified above is contained in the following tables of this chapter for the 73 firms that reported the deferral/exemption upon completed and audited projects during calendar year 2009. Although not required by statute, some of the tables provide a breakdown of program participants by size of firm, based on total Washington employment.

The data reported for the sales tax deferral/exemption are not additive over time. This is due to the requirement for firms to submit survey information initially in the year after the project is complete, plus surveys in each of the following seven years. Thus, the information reported for calendar year 2009 includes projects completed in each of the years from 2002 through 2009. Further, the data in the annual surveys, as reported in the annual Descriptive Statistics report, include only projects which have been completed and audited by the Department. The figures reported here do not include other projects for which application has been made but which are not yet completed and audited.

**Table 9.1**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Investments in R&D by High Technology Firms**  
**Retail Sales/Use Tax Deferrals Claimed by Size of Employment**  
**Calendar Year 2009**

<u>Total Washington Employment of Participants</u>	<u>Number of Firms Claiming Sales Tax Deferrals</u>	<u>Total State/Local Sales Tax Deferrals Taken</u>
Fewer than 50	30	\$37,512,448
50 - 250	24	\$9,871,557
More than 250	19	\$62,406,805
TOTAL	73	\$109,790,810

**Table 9.2**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Investments in R&D by High Technology Firms**  
**Retail Sales/Use Tax Deferrals Claimed by Category of Technology**  
**Calendar Year 2009**

<u>Category of High Technology</u>	<u>Number of Firms Claiming Sales Tax Deferrals*</u>	<u>Total State/Local Sales Tax Deferrals Taken*</u>
Advanced Computing	22	\$41,011,549
Advanced Materials	9	\$1,548,971
Biotechnology	39	\$59,130,474
Electronic Devices	22	\$6,067,142
Environmental	4	\$2,027,304
TOTAL	96	\$109,785,440

\*Totals do not agree with Table 9.1 due to incomplete reporting by survey respondents, and some firms reported under multiple technology categories.

## Chapter Nine

**Table 9.3**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Investments in R&D by High Technology Firms**  
**Total Washington Employment of Participants by Size of Employment**  
**Calendar Year 2009**

Size of Washington Employment	Number of Firms Claiming Sales Tax Deferrals	Total Employment in Washington of Firms Claiming Sales Tax Deferrals	Percentage of Jobs that are:*		
			Full-time	Part-time	Temporary
Fewer than 50	30	545	87.9%	9.0%	2.5%
50 - 250	24	3,160	92.8%	4.8%	2.4%
More than 250	19	110,644	70.7%	11.4%	17.9%
TOTAL	73	114,349	71.4%	11.2%	17.4%

\*Percentages may not add to 100% because not all survey respondents provided complete information.

**Table 9.4**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Investments in R&D by High Technology Firms**  
**Employment and Employee Benefits by Wage Band**  
**Calendar Year 2009**

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	17,569	4,810	5,020	4,684
\$30,000 - \$60,000	21,929	20,023	20,375	19,053
\$60,000 or more	74,851	61,481	61,573	56,175
TOTAL	114,349	86,314	86,968	79,912

Chapter Nine

**Table 9.5**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Investments in R&D by High Technology Firms**  
**New Products and Innovations Developed by Participants by Size of Employment**  
**Calendar Year 2009**

Size of Washington Employment	Number of Firms Claiming Sales Tax Deferrals	Innovations by Participants		Evidence of Innovations		
		New Products or Processes	New Research Projects	Trademarks	Patents	Copyrights
Fewer than 50	30	21	30	3	25	2
50 - 250	24	90	151	14	159	1
More than 250	19	2,957	2,998	95	3,161	12
TOTAL	73	3,068	3,179	112	3,345	15



Chapter Ten

SALES/USE TAX DEFERRAL/EXEMPTION  
FOR MANUFACTURING/PROCESSING FACILITIES FOR  
FRUIT AND VEGETABLES AND DAIRY AND SEAFOOD PRODUCTS  
AND COLD STORAGE WAREHOUSES

This program was initially adopted in 2005 and then expanded in 2006. It is codified as chapter 82.74 RCW. It seeks to encourage investment in Washington by firms that process fresh fruit and vegetables, dairy products, and seafood products. In addition, cold storage facilities for these products, as well as structures and equipment devoted to research and development for these industries, qualify for the tax deferral. The 2005 legislation targeted only fresh fruit and vegetables; the 2006 amendment added dairy and seafood products. The tax deferral for each of these facilities was effective on July 1, 2007. The program is scheduled to expire on June 30, 2012.

For fresh fruit and vegetables the statute defines “processing” as a manufacturing activity, meaning “canning, preserving, freezing, processing or dehydrating” of these products. The definition of manufacturing in RCW 82.04.120 specifically excludes “packing of agricultural products.” Thus, the sales tax deferral/exemption is not available for firms that only pack fresh fruit and vegetables.

A recent determination by the Department of Revenue found that the manufacture of wine qualifies as processing of fresh fruit and vegetables. Thus, wineries have now been added to this tax incentive program.

Expenditures for the construction of manufacturing or processing of these agricultural products are eligible for the deferral. Acquisition of related machinery also qualifies (but since the firm must be engaged in manufacturing, the purchase of eligible manufacturing machinery would be exempt from sales tax in any event under RCW 82.08.02565). As long as the facility or machinery continues to qualify for the intended purposes, the deferred sales/use tax does not need to be repaid. Taxpayers are required to submit an application to the Department prior to commencement of construction or acquisition of equipment.

Taxpayers who take the sales tax deferral/exemption must file an annual survey containing specified information pursuant to RCW 82.74.040. The survey must be filed by March 31 of the year after the investment project is certified by the Department as being operationally complete. Thereafter, the taxpayer must also file the survey in each of the subsequent seven years. Based on this data, the Department compiles the summary statistics which are presented in this report.

Listed below are the specific elements to be included in the annual descriptive statistics report for the agricultural products sales tax deferral/exemption:

- Dollar amount of sales/use tax deferred.
- Total jobs for program participants.
- Percentage breakdown of total jobs: full-time, part-time, and temporary.
- Total jobs for program participants according to annual wages paid:
  - Less than \$30,000
  - \$30,000 to \$59,999
  - \$60,000 or more.
- Number of jobs that receive employer-provided benefits - medical, dental, and retirement - by wage band.

The following tables contain the above information for the 17 firms that process agricultural products or operate cold storage warehouses which reported the deferral/exemption upon completed and audited projects during calendar year 2009. It should be noted that the data in the annual surveys, as reported in the annual Descriptive Statistics report, include only projects which have been completed and audited by the Department. The figures reported here do not include other projects for which application has been made but which are not yet completed and audited.

**Table 10.1**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**  
**Processing Facilities for Fruit and Vegetables, Manufacturing of**  
**Dairy and Seafood Products, and Cold Storage Warehouses**  
**Retail Sales/Use Tax Deferrals Claimed by Size of Employment**  
**Calendar Year 2009**

Total Washington Employment of Participants	Number of Firms Claiming Sales Tax Deferrals	Total State/Local Sales Tax Deferrals Taken
Fewer than 50 - 250	12	\$4,035,925
250 plus	5	1,416,173
TOTAL	17	\$5,452,098

## Chapter Ten

**Table 10.2**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Processing Facilities for Fruit and Vegetables, Manufacturing of  
Dairy and Seafood Products, and Cold Storage Warehouses**

**Total Washington Employment of Participants by Size of Employment  
Calendar Year 2009**

Size of Washington Employment	# of Firms Claiming Sales Tax Deferrals	Total Employment in Washington of Firms Claiming Sales Tax Deferrals	Percentage of Jobs that are:*		
			Full-time	Part-time	Temporary
Fewer than 250	12	790	92.6%	5.4%	1.9%
250 plus	5	2,650	76.6%	10.6%	12.8%
TOTAL	17	3,440	80.3%	9.4%	10.3%

\* Percentages may not add to 100% because not all survey respondents provided complete information.

**Table 10.3**  
**DESCRIPTIVE STATISTICS FOR TAX INCENTIVE PARTICIPANTS**

**Processing Facilities for Fruit and Vegetables, Manufacturing of  
Dairy and Seafood Products, and Cold Storage Warehouses**

**Employment and Employee Benefits by Wage Band  
Calendar Year 2009**

Wage Bands	Washington Employment by Wage Bands	Number of Total Jobs in Washington with Employer-Provided Benefits		
		Medical	Dental	Retirement
Less than \$30,000	2,036	324	231	569
\$30,000 - \$60,000	983	835	766	742
\$60,000 or more	421	421	413	404
TOTAL	3,440	1,580	1,410	1,715

Chapter Eleven

SALES/USE TAX DEFERRAL/EXEMPTION  
FOR INVESTMENTS IN BIOTECHNOLOGY MANUFACTURING

The biotechnology deferral/exemption program was established in 2006, effective July 1, 2006. It is codified as chapter 82.75 RCW. The program provides a deferral and ultimate waiver of state and local sales and use taxes on construction of facilities and purchase of eligible machinery by firms engaged in manufacturing of biotech products. The term biotechnology includes firms that develop products based on the science of biology, microbiology, molecular or cellular biology, and biochemistry or biophysics, including DNA techniques, genetics, and other bioprocesses that utilize living organisms.

Expenditures for the construction of facilities where the manufacture of biotech products occurs are eligible for the deferral. Acquisition of related machinery also qualifies. As long as the facility or machinery continues to qualify for the intended purposes, the deferred sales/use tax does not need to be repaid. The program will expire on January 1, 2017. Taxpayers are required to submit an application with the Department prior to commencement of construction or acquisition of equipment.

Taxpayers who take the sales tax deferral/exemption must file an annual survey that contains specified information pursuant to RCW 82.32.645. The survey must be filed by March 31 of the year after the investment project is certified by the Department as being operationally complete. Thereafter, the taxpayer must also file the survey in each of the subsequent seven years. Based on this data, the Department compiles the summary statistics which are presented in this report.

Listed below are the specific elements to be included in the annual descriptive statistics report for the biotechnology sales tax deferral/exemption:

- Dollar amount of sales/use tax deferred.
- Total jobs for program participants.
- Percentage breakdown of total jobs: full-time, part-time, and temporary.
- Total jobs for program participants according to annual wages paid:
  - Less than \$30,000
  - \$30,000 to \$59,999
  - \$60,000 or more.
- Number of jobs that receive employer-provided benefits - medical, dental, and retirement - by wage band.

There were four biotech manufacturing firms which reported the deferral/exemption upon completed and audited projects during calendar year 2009. It should be noted that the data in the annual surveys, as reported in the annual Descriptive Statistics

report, include only projects which have been completed and audited by the Department. The figures reported here do not include other projects for which application has been made but which are not yet completed and audited.

The total amount of sales tax deferral taken by the four firms in 2009 amounted to \$227,056. The confidentiality provisions of RCW 82.32.645(4, c) permit disclosure of the amount of deferral claimed by participants. However, this statute does not allow disclosure of the employment and wage information. Therefore, since there are so few participants for this year, it is not possible to aggregate the data and display the survey information in the usual table formats.



## 2009 Annual Tax Incentive Survey for Preferential Rates/Credits/Exemptions/Deferrals

Department of Revenue Tax Registration Number  _____ - _____ - _____	UBI Number used with Department of Employment Security (if this number differs from Revenue's Tax Registration Number)  _____ - _____ - _____
Name of Business as Registered	Survey Contact Person
Phone Number (      )	Employment Security Reference Number(s)
<p><b>Electronic Filing Required</b></p> <p>Tax Incentive taken (check all boxes that apply):</p> <p><b>Credits</b></p> <p><input type="checkbox"/> Customized Employment Training Credit</p> <p><input type="checkbox"/> High Technology Business &amp; Occupation (B&amp;O) Tax Credit</p> <p><b>Deferrals</b></p> <p><input type="checkbox"/> High Technology Sales &amp; Use Tax Deferral</p> <p><input type="checkbox"/> Rural County Sales &amp; Use Tax Deferral (Electronic Filing Optional)</p> <p><input type="checkbox"/> Biotechnology &amp; Medical Device Mfg. Sales &amp; Use Tax Deferral</p> <p><input type="checkbox"/> Cold Storage Warehouse Sales &amp; Use Tax Deferral</p>	
<p><input type="checkbox"/> Dairy Product Manufacturers Sales &amp; Use Tax Deferral</p> <p><input type="checkbox"/> Fruit and Vegetables Processors Sales &amp; Use Tax Deferral</p> <p><input type="checkbox"/> Seafood Product Manufacturers Sales &amp; Use Tax Deferral</p> <p><b>Exemptions</b></p> <p><input type="checkbox"/> Fruit and Vegetable Processors B&amp;O Tax Exemption</p> <p><input type="checkbox"/> Dairy Product B&amp;O Tax Exemption</p> <p><input type="checkbox"/> Seafood Product B&amp;O Tax Exemption</p> <p><b>Reduced Rates</b></p> <p><input type="checkbox"/> Timber Industry Incentives</p>	

**You must file this survey with the Department of Revenue by **March 31, 2010.****

**If your business received a Rural County, High Technology, Biotech & Medical Device Manufacturer, Fresh Fruit & Vegetable Processor, Dairy Product Manufacturer, Cold Storage Warehouse, or Seafood Product Manufacturers tax deferral**, your survey is due for the year in which the deferral project was certified by the Department of Revenue as operationally complete, and for the seven subsequent calendar years in which use requirements must be met. **If you do not file a survey by March 31, 2010, we must declare 12.5% of the total deferred taxes to be immediately due.**

**If your business claimed a High Technology B&O Tax Credit in calendar year 2009**, and you do not file a 2009 annual survey by March 31, 2010, your 2010 B&O credit will be denied and any hi-tech credits taken in 2010 will be disallowed.

**If your business took the B&O Tax Exemption for Fruit and Vegetable, Seafood, or Dairy Processors in calendar year 2009**, you must submit an annual survey for 2009. **If you do not submit the annual survey by March 31, 2010, we must declare the amount of tax exempted due immediately.** The amount of taxes due is calculated using a rate of 0.138 percent of the amount exempted during 2009 under this program.

**If your business took the Customized Employment Training Credit in calendar year 2009**, you must submit an annual survey for 2009. **If you do not submit the annual survey by March 31, 2010, we must declare the amount of taxes credited for the previous calendar year to be due immediately.**

**If your business took any of the Timber Industry incentives**, you must submit an annual survey for 2009. **If you do not submit the annual survey by March 31, 2010, we must declare the amount of taxes reduced for the previous calendar year to be due immediately.**

If your business is not required to file the survey online, you may complete a paper survey. Go to dor.wa.gov, click on "Get a Form or Publication," "Forms by name," "A" for Annual Survey. Print out the form, complete, and mail or fax as provided in the instructions.

If circumstances beyond your control arise you may request an extension **prior to the due date**. To request an extension, call (360) 570-3265 and press 6, then 2.

You are required to make a good faith effort to substantially respond to all survey questions. If a question does not apply to your business, answer the question using zero (0). Please do not use "various" or "please contact for further information" to respond to questions.

This survey is confidential under provisions of RCW 82.32.330. However, information on the amount of tax incentive taken is not subject to the confidentiality provisions of RCW 82.32.330 and may be disclosed to the public upon request.

Report dollar amounts in whole numbers. If amounts are pre-filled, they are based on your filed tax returns or assessments.

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**Questions About Amount of Tax Incentive Taken**

- 1a. High Technology Business and Occupation Tax Credit (RCW 82.04.4452):  
What was the amount of credit claimed for calendar year 2009? \$ \_\_\_\_\_  
If this credit was assigned, who was it assigned from? Company name(s) \_\_\_\_\_  
Assignor's Tax Registration Number(s) \_\_\_\_\_
- 1b. Tax Deferrals for Investment Projects in Rural Counties (Chapter 82.60 RCW):  
What was the amount of tax deferral taken for the investment project(s)? \$ \_\_\_\_\_  
If you are a lessee, who is your lessor? Company name(s) \_\_\_\_\_  
Lessor's Tax Registration Number(s) \_\_\_\_\_
- 1c. Tax Deferrals for High Technology Businesses (Chapter 82.63 RCW):  
What was the amount of tax deferral taken for the investment project(s)? \$ \_\_\_\_\_  
If you are a lessee, who is your lessor? Company name(s) \_\_\_\_\_  
Lessor's Tax Registration Number(s) \_\_\_\_\_
- 1d. If you took the B&O tax exemption for persons engaged in the business of canning, preserving, freezing, processing, or dehydrating fresh fruits and vegetables (RCW 82.04.4266), what was the amount of exempted B&O tax? \$ \_\_\_\_\_ (Tax amount, not gross amount)
- 1g. If you took the B&O tax exemption for manufacturing or selling dairy products (RCW 82.04.4268), how much tax was exempted in 2009? \$ \_\_\_\_\_ (Tax amount, not gross amount)
- 1h. If you took the B&O tax exemption for manufacturing or selling seafood products (RCW 82.04.4269), how much tax was exempted in 2009? \$ \_\_\_\_\_
- 1i. If you took the B&O tax credit for customized employment training (RCW 82.04.449), how much tax was credited in 2009? \$ \_\_\_\_\_
- 1j. If you took the reduced rates for Processing for Hire Timber Products, Extracting Timber, Manufacturing of Timber Products, Wholesaling by Manufacturers of Timber Products, or Sale of Standing Timber (line codes 300, 301, 302, 303, or 304), what was the amount of tax you saved in 2009? \$ \_\_\_\_\_
- 1k. If you took the Tax Deferral for Biotechnology Products and/or Medical Device Businesses (RCW 82.75), how much tax was deferred for your investment project(s) in 2009? \$ \_\_\_\_\_  
If you are a lessee, who is your lessor? Company name(s) \_\_\_\_\_  
Lessor's Tax Registration Number(s) \_\_\_\_\_

- 1l. Tax Deferrals for Investment Projects for Fresh Fruit and Vegetable Processors (Chapter 82.74 RCW):  
 What was the amount of tax deferral taken for the investment project(s)? \$ \_\_\_\_\_  
 If you are a lessee, who is your lessor? Company name(s) \_\_\_\_\_  
 Lessor's Tax Registration Number(s) \_\_\_\_\_
- 1m. Tax Deferrals for Investment Projects for Dairy Product Manufacturers (Chapter 82.74 RCW):  
 What was the amount of tax deferral taken for the investment project(s)? \$ \_\_\_\_\_  
 If you are a lessee, who is your lessor? Company name(s) \_\_\_\_\_  
 Lessor's Tax Registration Number(s) \_\_\_\_\_
- 1n. Tax Deferrals for Investment Projects for Cold Storage Warehouses (Chapter 82.74 RCW):  
 What was the amount of tax deferral taken for the investment project(s)? \$ \_\_\_\_\_  
 If you are a lessee, who is your lessor? Company name(s) \_\_\_\_\_  
 Lessor's Tax Registration Number(s) \_\_\_\_\_
- 1o. Tax Deferrals for Investment Projects for Seafood Product Manufacturers (Chapter 82.74 RCW):  
 What was the amount of tax deferral taken for the investment project(s)? \$ \_\_\_\_\_  
 If you are a lessee, who is your lessor? Company name(s) \_\_\_\_\_  
 Lessor's Tax Registration Number(s) \_\_\_\_\_
2. For businesses taking the High Technology B&O Tax Credit:
- 2a. What was the amount of qualified research and development during calendar year 2009? \$ \_\_\_\_\_
- 2b. What was the total B&O taxable amount reported on your state excise tax return(s) in 2009? \$ \_\_\_\_\_  
 (The taxable amount is the gross minus deductions. Do not include any taxable amounts that were credited by the Multiple Activities Tax Credit (MATC).)

**Questions About Employment**

3. How many employees did you have in Washington State on December 31, 2009? \_\_\_\_\_  
 Of the total number of employment positions, what percentage are:  
 Full-time: \_\_\_\_\_ %  
 Part-time: \_\_\_\_\_ %  
 Temporary: \_\_\_\_\_ %

4. Complete the following table based on the employees you had in Washington State on December 31, 2009:

WAGE BANDS	Total Number of Employment Positions	Total Number Enrolled in Medical Plan(s)	Total Enrolled in Dental Plan(s)	Total Enrolled in Retirement Plan(s)
Less than \$30,000				
\$30,000 - \$59,999				
\$60,000 or more				

5. How many people did you hire through temporary staffing firms? \_\_\_\_\_
6. Of the total in question 5, what were the top 3 occupations hired? \_\_\_\_\_
7. What was the average length of temporary employment reported in question 5?  
 0 - 30 days     31 - 60 days     61 - 90 days     91 days - 1 year     over 1 year     Not Applicable



8. How many people did your company employ worldwide (including Washington State) on December 31, 2009?  
\_\_\_\_\_
- 9a. What percentage of total employees worked in research and development (R&D) in Washington State on December 31, 2009? \_\_\_\_\_%
- 9b. What percentage of total employees worked in research and development (R&D) worldwide (including Washington) on December 31, 2009? \_\_\_\_\_%
10. How many new employment positions did your firm create in Washington State during calendar year 2009?  
\_\_\_\_\_ (A response greater than zero requires a "yes" response in question 12)
11. What percentage of the new Washington employment positions created during calendar year 2009 were filled, at the time of hire, by residents of Washington State?  
  
\_\_\_\_\_ % of all new positions filled by **Washington residents**
12. Has your firm moved a business activity from out-of-state into Washington, expanded an existing business activity, or created new business activity in Washington during 2009?  
 \_\_\_\_\_ YES, moved an activity from out-of-state into Washington  
 \_\_\_\_\_ YES, expanded an existing activity in Washington  
 \_\_\_\_\_ YES, created a new business activity in Washington  
 \_\_\_\_\_ NO, SKIP TO QUESTION 15
13. How many employees did your firm add to these activities or facilities? (If none, enter "0".)  
**Note: The total number of employees must equal the total number of employees in question 10.**  
**Number of employees you moved into Washington State:**  
 \_\_\_\_\_ Research employees  
 \_\_\_\_\_ Manufacturing employees  
 \_\_\_\_\_ Distribution employees  
 \_\_\_\_\_ Administrative employees  
**Number of employees you added in the expansion of your existing business activity:**  
 \_\_\_\_\_ Research employees  
 \_\_\_\_\_ Manufacturing employees  
 \_\_\_\_\_ Distribution employees  
 \_\_\_\_\_ Administrative employees  
**Number of employees you hired for your newly created business activity in Washington State:**  
 \_\_\_\_\_ Research employees  
 \_\_\_\_\_ Manufacturing employees  
 \_\_\_\_\_ Distribution employees  
 \_\_\_\_\_ Administrative employees
14. What percent of the employees from question 13 were residents of Washington State at the time of hiring?  
 \_\_\_\_\_% employees who were Washington residents
15. Has your firm moved any Washington activities out of Washington State during calendar year 2009?  
 \_\_\_\_\_ YES, moved activities to an out-of-state location  
 \_\_\_\_\_ NO, SKIP TO QUESTION 17

16. How many employees were moved out of Washington State in 2009?

- \_\_\_\_\_ Research employees
- \_\_\_\_\_ Manufacturing employees
- \_\_\_\_\_ Distribution employees
- \_\_\_\_\_ Administrative employees

17. If you received a deferral for an investment project, enter the total number of employees located at the investment project by deferral certificate number. This includes projects that are operationally complete and still have part of their eight year use requirements left. (If necessary, attach an additional page to respond to this question)

Certificate number \_\_\_\_\_ Total number of employees \_\_\_\_\_

Certificate number \_\_\_\_\_ Total number of employees \_\_\_\_\_

Certificate number \_\_\_\_\_ Total number of employees \_\_\_\_\_

Certificate number \_\_\_\_\_ Total number of employees \_\_\_\_\_

18. If you took the B&O tax exemption for canning, preserving, freezing, processing, or dehydrating fresh fruits and vegetables complete the following chart:

	ESD Q1 Report	ESD Q2 Report	ESD Q3 Report	ESD Q4 Report
Total Employment				
Average Hourly Wage Paid to Seasonal/Temporary Employees				

**Questions About Patents, Trademarks and Copyrights**

19. How many United States patents granted to your firm in calendar year 2009 were associated with new (or potential) products developed from the research and development for which you received a tax credit or deferral (at any time)?

N/A

- \_\_\_\_\_ Advanced Computing
- \_\_\_\_\_ Advanced Materials
- \_\_\_\_\_ Biotechnology
- \_\_\_\_\_ Electronic Device Technology
- \_\_\_\_\_ Environmental Technology
- \_\_\_\_\_ Other areas (describe) \_\_\_\_\_

21. How many United States trademarks were registered by your firm during calendar year 2009 by category?

N/A

- \_\_\_\_\_ Advanced Computing
- \_\_\_\_\_ Advanced Materials
- \_\_\_\_\_ Biotechnology
- \_\_\_\_\_ Electronic Device Technology
- \_\_\_\_\_ Environmental Technology
- \_\_\_\_\_ Other areas (describe) \_\_\_\_\_

22. How many United States copyrights were issued to your firm during calendar year 2009 by category?

N/A

- \_\_\_\_\_ Advanced Computing
- \_\_\_\_\_ Advanced Materials
- \_\_\_\_\_ Biotechnology
- \_\_\_\_\_ Electronic Device Technology
- \_\_\_\_\_ Environmental Technology
- \_\_\_\_\_ Other areas (describe) \_\_\_\_\_

23. Of United States copyrights reported in question 22, which federal copyright classifications were they in?

N/A

- \_\_\_\_\_ Literary works
- \_\_\_\_\_ Visual Arts
- \_\_\_\_\_ Performing Arts
- \_\_\_\_\_ Sound Recording
- \_\_\_\_\_ Mask Works
- \_\_\_\_\_ Serials & Periodicals
- \_\_\_\_\_ Other areas (describe) \_\_\_\_\_

**Questions About Your Business Activities**

24. If you took the High Technology B&O Tax Credit or the Tax Deferral for High Technology Business, what percentage of the research and development performed in Washington during calendar year 2009 was in the following areas:

- \_\_\_\_\_ % Advanced Computing
- \_\_\_\_\_ % Advanced Materials
- \_\_\_\_\_ % Biotechnology
- \_\_\_\_\_ % Electronic Device Technology
- \_\_\_\_\_ % Environmental Technology
- \_\_\_\_\_ % Other areas (describe) \_\_\_\_\_

25. If you took the Tax Deferral for Investment Projects for Seafood, Dairy, Cold Storage Warehouse, and Biotechnology Manufacturers, or Rural Counties, describe the products manufactured or stored at the investment project site during calendar year 2009:

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26. If you took the B&O tax exemption for canning, preserving, freezing, processing, or dehydrating fresh fruits and vegetables; or selling dairy or seafood products, describe the products sold for which the exemption was claimed during calendar year 2009:

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27. Did the research and development for which your firm received (at any time) a tax incentive result in a new product, new service, new process, new project or support an on-going project during calendar year 2009? If yes, how many? (Complete table)  IF NO, CHECK BOX AND SKIP TO QUESTION 30.

CLASSIFICATION	New Products	New Services	New Processes	New Projects	On-going Projects
Advanced Computing					
Advanced Materials					
Biotechnology					
Electronic Device Technology					
Environmental Technology					
Other area (describe)					

28. What percentage of all numbers reported in question 27 were produced or distributed during 2009 by your firm's Washington State based employees? \_\_\_\_%

**If 100% SKIP TO QUESTION 29b. (Sum of 28 and 29a must be equal or less than 100%)**

29a. Approximately what percentage of all your products or services reported in question 27 were produced or distributed by other firms in Washington State? \_\_\_\_% **(Sum of 28 and 29a must be equal or less than 100%)**

29b. Approximately what percentage of the material or service inputs related to items listed in question 27 to your firm were provided by other firms in Washington State? \_\_\_\_%

30. Have you ever purchased manufacturing machinery and equipment tax exempt under the Manufacturing Machinery and Equipment Exemption (RCW 82.08.02565 and 82.12.02565)?

\_\_\_\_\_ YES, please answer questions 31 and 32.

\_\_\_\_\_ **NO, SKIP TO QUESTION 33**

31. Estimate the retail value of all machinery and equipment purchased in calendar year 2009 using the Manufacturer's Sales and Use Tax Exemption?

\$ \_\_\_\_\_ retail value

32. Approximately what percentage of the exempt equipment purchased during calendar year 2009 was used more than half the time for research and development?

\_\_\_\_\_ % used for research and development

33. If you took the High Technology B&O Tax Credit or Tax Deferrals for High Technology, please estimate the retail value of sales made during calendar year 2009. This includes all new products, services, or processes that resulted from the credit or deferral programs, since you began using the credit or deferral. The estimated value should include sales made by your firm and through other firms. \$ \_\_\_\_\_

34. Has your firm acquired or merged with another company during calendar year 2009? Has your company reorganized during calendar year 2009? If you answer yes to either question, please provide the company name(s) and tax registration number(s). (If necessary, attach an additional page to respond to this question).

a. Company Name \_\_\_\_\_

Tax Registration Number \_\_\_\_\_

b. Company Name \_\_\_\_\_

Tax Registration Number \_\_\_\_\_

c. Company Name \_\_\_\_\_

Tax Registration Number \_\_\_\_\_

d. Company Name \_\_\_\_\_

Tax Registration Number \_\_\_\_\_

e. Company Name \_\_\_\_\_

Tax Registration Number \_\_\_\_\_

Comments:

If you took less than ten thousand dollars of the High Technology Business and Occupation (B&O) tax credit under RCW 82.04.4452 or the Timber Industry Tax Incentives under RCW 82.04.260, during the period covered by the survey, you may request the Department to treat the tax credit amount as confidential under RCW 82.32.330. If you would like to make this request, check the box below and type the name of the business owner, corporate officer, partner, guardian, executor, receiver, or administrator who authorized the request and date below.

Check for non-disclosure request

Name: \_\_\_\_\_

Date: \_\_\_\_\_

## Instructions for Filing Survey

An annual survey must be completed and filed electronically by March 31, 2010 by each person who participated in the following programs during calendar year 2009:

<b>Biotechnology &amp; Medical Device Mfg. Sales &amp; Use Tax Deferral</b>	RCW 82.75
<b>Cold Storage Warehouse Sales &amp; Use Tax Deferral</b>	RCW 82.74
<b>Customized Employment Training Credit</b>	RCW 82.04.449
<b>Dairy Product Manufacturers Sales &amp; Use Tax Deferral</b>	RCW 82.74
<b>Dairy Products Business &amp; Occupation (B&amp;O) Tax Exemption</b>	RCW 82.04.4268
<b>Fresh Fruit and Vegetable Processors Sales &amp; Use Tax Deferral</b>	RCW 82.74
<b>High Technology (B&amp;O) Tax Credit</b>	RCW 82.04.4452
<b>High Technology Sales &amp; Use Tax Deferral</b>	RCW 82.63
<b>Rural County Sales &amp; Use Tax Deferral (electronic filing optional)</b>	RCW 82.60
<b>Seafood Product Manufacturers Sales &amp; Use Tax Deferral</b>	RCW 82.74
<b>Seafood Products B&amp;O Tax Exemption</b>	RCW 82.04.4269
<b>Fruit and Vegetable Processors B&amp;O Tax Exemption</b>	RCW 82.04.4266
<b>Timber Industry Incentives</b>	RCW 82.04.260

If your business is required to file the survey electronically, go to our web site at [dor.wa.gov](http://dor.wa.gov) and log into "My Account" in the upper right-hand corner. If you're not already registered, click on "Register now." Once you're logged in, click on "Credits & Tax Incentives," then "File Tax Incentive Report/Survey" and file the report. If you need help logging in call 1-877-345-3353 or (360) 902-7079.

A business is participating in a deferral program if the investment project is operationally complete and the business has any deferred taxes yet to be waived. If the economic benefits of a deferral are passed to a lessee, the lessee must complete the annual survey and the lessor is not required to complete the annual survey. The survey is not filed until received by the Department in an electronic format.

If you took the Tax Exemption for Fruit and Vegetable Processors, Seafood Products, Dairy Products, Customized Employment Training, or Timber exemptions/credits for the first time, you must submit two annual surveys. One survey covers calendar year 2008 and the second survey covers calendar year 2009. The survey is not filed until received by the Department in an electronic format.

Failure to file a complete survey will result in loss of incentives, credits, or reduced rates. For more information on failure to file, refer to RCW 82.32.590, 82.32.645, 82.60.070, or 82.63.020.

If you have any questions on completing this survey please call (360) 570-3265 and press 6, then 2. For help with electronic filing please call 1-877-345-3353.

If you are not filing the survey electronically, you must either mail or fax surveys to the Special Programs Division at:

**Department of Revenue  
Special Programs Division  
Post Office Box 47477  
Olympia, WA 98504-7477**

**Fax: (360) 586-2163**

# Instructions for Completing Survey

## Company Information

It is important that you enter all of the company information requested at the beginning of the survey.

**Department of Revenue Tax Registration Number:** Enter the company's Department of Revenue Tax Registration Number. This number is available on your excise tax return.

**Employment Security Department UBI Number:** Enter the company's Employment Security Department Unified Business Identifier (UBI) number. If you do not have a Washington State Employment Security UBI number enter N/A on this line.

**Name of Business as Registered /Contact Person:** Enter the name of the business as registered with the Department of Revenue and the name of a person we may contact if we have any questions about this survey.

**Employment Security Department Reference Number:** Enter all Employment Security Department (ESD) Reference numbers used on ESD Quarterly Tax Reports that you use to report unemployment insurance taxes. This number can be found on line 6 of the ESD Quarterly Tax Report (Form 5208A).

**Tax Incentive Taken:** Check the applicable box(es).

**To change your mailing address:** Visit our website at dor.wa.gov or call our Telephone Information Center at 1-800-647-7706.

## Questions About Amount of Tax Incentive Taken

- 1a. Enter the total amount of the High Technology B&O Tax Credit claimed on your excise tax return(s) during calendar year 2009. If a credit was assigned, in whole or part, from another taxpayer, enter the taxpayer's name(s) and tax registration number(s).
- 1b. Enter the total amount of tax deferred for all investment projects in rural counties that have not met all program requirements, and currently have deferred tax yet to be waived. Do not include tax deferrals that have been completely waived because all program requirements have been met. If you are a lessee who has received the benefit of a tax deferral from a lessor, enter the lessor's name(s) and tax registration number(s).
- 1c. Enter the total amount of tax deferred for all investment projects for high technology businesses that have not met all program requirements, and currently have deferred tax yet to be waived. Do not include tax deferrals that have been completely waived because all program requirements have been met. If you are a lessee who has received the benefit of a tax deferral from a lessor, enter the lessor's name(s) and tax registration number(s).
- 1d. If you claimed the Fruit and Vegetable Processing Tax Exemption, enter the total amount of tax exempted in 2009 that you would have otherwise had to pay. Compute what your taxable amount would have been and multiply by .00138.
- 1g. If you claimed the Dairy Products Tax Exemption, enter the total amount of tax exempted that you would have otherwise had to pay. Compute what your taxable amount would have been and multiply by .00138.
- 1h. If you claimed the Seafood Products Tax Exemption, enter the total amount exempted that you would have otherwise had to pay. Compute what your taxable amount would have been and multiply by .00138.
- 1i. If you claimed the Customized Employment Training Credit, enter the total amount of credit taken 2009.
- 1j. Calculate the amount of Timber Industry tax incentives for 2009 as follows:

**Add** Business and Occupation tax (B&O), taxable amounts from all timber industry activities (Processing for Hire Timber Products, Extracting Timber, Manufacturing of Timber Products, Wholesaling by Manufacturers of Timber Products, or Sale of Standing Timber (line codes 300, 301, 302, 303, or 304)) for 2009.

**Subtract** the taxable amounts from all timber activities Multiple Activities Tax Credit (MATC) taken in 2009 (credit associated with line codes 300, 301, 302, 303, or 304).

**Multiply** the net amount by .001936, this is the amount of tax you saved.

**Example:**

Add taxable amounts (timber activities)	+ _____
Subtract taxable amounts (MATC credit, timber activities)	- _____
Total	= _____
X .001936	x .001936 _____
Total timber industry incentive savings	= _____

- 1k.** Enter the total amount of tax deferred for all investment projects for Biotechnology Products and Medical Device Manufacturing that have not met all program requirements, and currently have deferred tax yet to be waived. Do not include tax deferrals that have been completely waived because all program requirements have been met. If you are a lessee who has received the benefit of a tax deferral from a lessor, enter the lessor's name(s) and tax registration number(s).
- 1l.** Enter the total amount of tax deferred for all investment projects for Fruit and Vegetable Processors that have not met all program requirements, and currently have deferred tax yet to be waived. Do not include tax deferrals that have been completely waived because all program requirements have been met. If you are a lessee who has received the benefit of a tax deferral from a lessor, enter the lessor's name(s) and tax registration number(s).
- 1m.** Enter the total amount of tax deferred for all investment projects for Dairy Product Manufacturers that have not met all program requirements, and currently have deferred tax yet to be waived. Do not include tax deferrals that have been completely waived because all program requirements have been met. If you are a lessee who has received the benefit of a tax deferral from a lessor, enter the lessor's name(s) and tax registration number(s).
- 1n.** Enter the total amount of tax deferred for all investment projects for Cold Storage Warehouses that have not met all program requirements, and currently have deferred tax yet to be waived. Do not include tax deferrals that have been completely waived because all program requirements have been met. If you are a lessee who has received the benefit of a tax deferral from a lessor, enter the lessor's name(s) and tax registration number(s).
- 1o.** Enter the total amount of tax deferred for all investment projects for Seafood Product Manufacturers that have not met all program requirements, and currently have deferred tax yet to be waived. Do not include tax deferrals that have been completely waived because all program requirements have been met. If you are a lessee who has received the benefit of a tax deferral from a lessor, enter the lessor's name(s) and tax registration number(s).

### **Questions about Employment**

- 2a.** If you took the High Technology B&O Tax Credit, enter the total amount of research and development spending for the calendar year. This includes operating expenses such as wages and benefits, supplies, and computer expenses directly incurred in qualified research and development. Do not include capital costs and overhead.
- 2b.** If you took the High Technology B&O Tax Credit, enter the gross income and value of products subject to B&O tax reported on the excise tax return during the 2009 calendar year, excluding any credit taken for the Multiple Activities Tax Credit (MATC).
- 3.** Enter the total number of employees employed by your company in Washington State on December 31, 2009.  
You may use your fourth quarter wage and hour report filed with the Employment Security Department to complete the questions regarding employment.  
  
Enter the percentage of those employees that are employed in full-time, part-time, and temporary employment positions. In order for a position to be treated as full-time or part-time, the employer must intend for the position to be filled for at least 52 consecutive weeks or 12 consecutive months, excluding any leaves of absence. A full-time position is a position that requires the employee to work, excluding overtime hours, 35 hours per week for 52 consecutive weeks, 455 hours a quarter, or 1,820 hours during a period of 12 consecutive months. A part-time position is a position in which the employee may work less than the hours required for a full-time position. A temporary position is a position that is intended to be filled for period of less than 52 consecutive weeks or 12 consecutive months. Positions in seasonal employment are temporary positions.
- 4.** Of the total number of employment positions from question **3**, enter the total number of employees enrolled in medical plans, dental plans, and retirement plans provided by your company according to the three wage bands (less than \$30,000, \$30,000 to \$59,999, \$60,000 or more). Wages means compensation paid to an individual for personal services, whether denominated as wages, salary, commission, or otherwise as reported on the W-2 forms of employees. Stock options granted as compensation to employees are wages to the extent they are reported on the W-2 forms of the employees and are taken as a deduction for federal income tax purposes by the employer.
- 5.** Enter the number of people you obtained through temporary staffing firms for the year ending December 31, 2009.
- 6.** Enter the top 3 occupations you hired from temporary staffing firms.
- 7.** For people obtained through temporary staffing firms reported in question **5**, enter the average duration of their employment at your business for the year ending December 31, 2009.



8. Enter the number of employees employed worldwide, including Washington State employees. Do not include people obtained from temporary staffing firms.
9. Of the total number of employees in question 8, what percentage work in research and development in Washington State and what percentage work in research and development worldwide (including Washington State employees).
10. Enter the total number of new employment positions created in Washington State during calendar year 2009.
11. Of the total number of new employment positions entered in question 10, what percentage were Washington State residents?
12. Has your firm moved any activities into Washington State, or expanded or built a new facility in Washington State during calendar year 2009? Answer all statements that apply. If your response to question 10 is greater than zero, you must select a "yes" answer.
13. Enter the number of employees in each category for each statement checked "yes" in question 12.
14. Enter the percentage of all employees in question 13 that were Washington State residents.
15. Choose yes or no if your firm moved any activities out of Washington State during calendar year 2009.
16. If you reported that you moved any activities out of Washington State in question 15, enter the number of employees in each category that relocated out of the state because the activity moved.
17. If you were approved for a deferral that is operationally complete, enter the deferral certificate number(s) and total number of employees associated with each certificate.
18. If you are claiming the Tax Exemption for Fruit and Vegetable Processing, enter the number of employees reported in your firm's quarterly wage and hour reports to the Employment Security Department and the average wage paid to temporary and seasonal employees per quarter.

#### **Questions About Patents, Trademarks, and Copyrights**

19. Enter the number of United States patents received by your business during calendar year 2009 that were associated with new or potential products resulting from research and development, for which a deferral or credit was received at any time. See RCW 82.63.010 for definitions of the various categories.
20. Question 20 not required as of 2009.
21. Enter the number of United States trademarks issued to your firm during calendar year 2009 by category.
22. Enter the number of United States copyrights issued to your firm during calendar year 2009 by category.
23. Enter the classification for federal copyrights, from question 22.
24. If you took the High Technology B&O Tax Credit or the Tax Deferral for High Technology Businesses, enter the percentage of activity performed in any of the research and development activities.
25. If you took the Tax Deferral for Investment Projects for Seafood, Dairy, Cold Storage Warehouse, and Biotechnology Manufacturers, or Rural Counties, describe the products manufactured or stored at any sites in Washington that received a tax deferral for investment projects during calendar year 2009.
26. If you claimed the Tax Exemption for Fruit and Vegetable Processing or Dairy and Seafood Products, describe the products sold for which the exemption was claimed during 2009.
27. Did the research and development for which your firm received a tax incentive result in a new product, service, new process, project, or support on-going research? If yes, enter the number of new products, services, processes, projects, and on-going research projects by classification in the matrix. If "no," check box and skip to question 30.
28. Enter the percentage of new products, processes, services, or projects that resulted from the credit or deferral programs that were produced or distributed by your firm's Washington State employees. **(Sum of 28 and 29a must be equal or less than 100%)**
- 29a. Enter the percentage of new products, processes, services, or projects reported in question 27 that were produced or distributed by other firms within Washington State. **(Sum of 28 and 29a must be equal or less than 100%)**
- 29b. Enter the percentage of new products, processes, services, or projects reported in question 27 that had material or service inputs from other companies in Washington State.
30. Mark "yes" if you used the Manufacturer's Sales and Use Tax Exemption Certificate to purchase machinery and equipment used in manufacturing, research and development, or a testing operation, If "no," skip to question 33.

- 31.** If you used the Manufacturer's Sales and Use Tax Exemption Certificate to purchase machinery and equipment used in manufacturing during calendar year 2009, estimate the retail value of all machinery and equipment purchased.
- 32.** Enter the percentage of machinery and equipment purchased during calendar year 2009 (from question **31**) that was used for more than half the time in research and development.
- 33.** Enter the estimated retail value of sales made during calendar year 2009 of all new products, services or processes that resulted from the High Technology B&O Credit or High Technology Deferral Programs, since you began using the credit or deferral. The estimated dollar value should include sales made by your firm and through other firms. For example, if you receive royalties for a product, what would you consider the retail value of that product to be (you receive 10% on each product sold and have been paid \$1,000,000 through 2009 the value would be  $\$1,000,000 / .10 = \$10,000,000$ ).
- 34.** Has your firm acquired or merged with another company during calendar year 2009? Has your company reorganized during calendar year 2009? If you answer yes to either question, please enter the company name and tax registration number for the acquired, merged, or predecessor company. (If necessary, attach an additional page to respond to this question).